

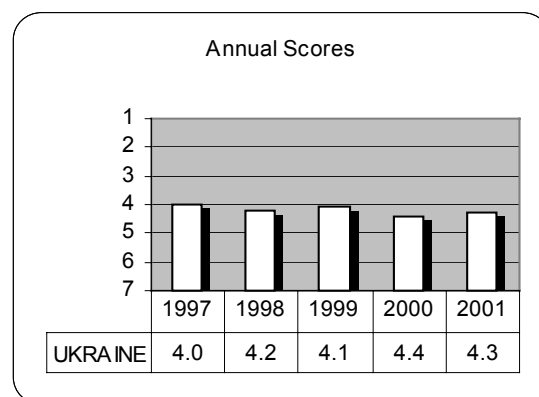
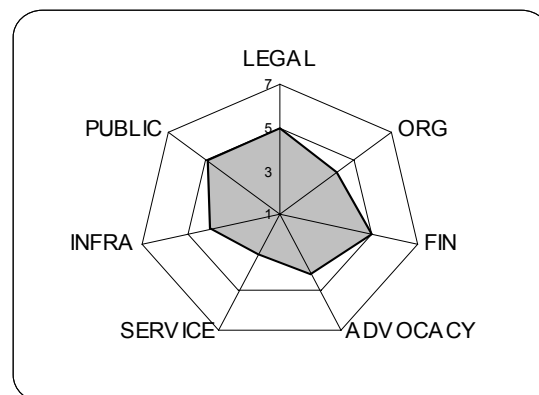
UKRAINE

Capital: Kyiv	Foreign Direct Investment: \$594,000,000
GDP per capita (PPP): \$3,850 (2000 est.)	Inflation: 25.8% (2000 est.)
Population: 48,760,474 (July 2001 est.)	Unemployment: 4.3% officially registered; large number of unregistered or underemployed workers (December 1999)

OVERALL DESCRIPTION: 4.3

The Third Sector in Ukraine continues to show incremental signs of improvement, despite the considerable obstacles that block progress towards sustainability. Of the approximately 30,000 registered NGOs, local experts indicate that about 4,000 are active. Ukrainian NGOs work on a variety of issues from cultural and political to social services and public policy. There are NGOs to represent every demographic group. NGOs in Kyiv and major cities remain more developed than their rural counterparts, but recent efforts by donors to focus on NGO capacity building in rural areas have had some impact. Approximately 16 resource centers around the country provide technical and informational support and training to nascent NGOs. A Ukrainian training organization based in Kyiv also provides capacity building training to NGOs around the country.

NGOs, particularly politically inactive ones, are generally free to go about their daily business. Yet, the national government does not openly support the NGO sector. Moreover, some NGOs experience harassment or limitations on their activities. This may originate from corrupt local officials operating with or without specific "guidance" from the central or regional governments. NGOs in Ukraine, especially those involved with policy or advocacy, are still heavily dependent on foreign funding, hampered by clumsy and restrictive regulations, and frustrated in their fundraising by an unsupportive legal environment and a declining economy throughout most of the 1990's. A few NGOs in the social sector have been able to improve their prospects for sustainability by winning contracts from local governments to provide social services to the broader population. Others have launched social enterprises to fund some of their work.



LEGAL ENVIRONMENT: 5.0

The legal environment in Ukraine remains a challenge to NGO sustainability. The registration process for NGOs is subject to numerous varying interpretations by local officials, that sometimes prolong the procedure by six to eight months. Once registered, however, dissolution of an organization is next to impossible, leading to the ever-increasing numbers of NGOs registered in Ukraine. Grants are not taxed in Ukraine except on salaries paid to staff or consultants from these funds.

A draft law on non-business corporations that would benefit the third sector passed a first reading in the Ukrainian parliament in October 2000, but three new draft laws on this topic have since been introduced that will compete with the ICNL draft in the next reading.

Many NGOs, especially political and advocacy groups, experience some harassment. This is especially true in smaller cities where the efforts of active NGOs are subject to more scrutiny by local government authorities. Visits by the tax authorities or other government inspection bodies to NGOs are not uncommon.

This year, 28 specialists from around Ukraine were trained in NGO legal issues to enable them to provide more qualified legal advice to NGOs in their regions. Legal advice is available, often pro bono, from interested lawyers at local advocacy clinics (such as one run by an NGO of local lawyers in Vinnitsya and several consultation centers at CVU local branches) and from free clinics attached to law schools.

ORGANIZATIONAL CAPACITY: 4.0

The majority of NGOs in Ukraine are small local organizations, often isolated, and not eager to cooperate with other community groups that they view as competitors in the quest for funds or attention. There are a number of elite groups that do not have a wide outreach and few organizations in Ukraine actively recruit members or volunteers. The recent USAID assessment of the Third Sector noted this lack of outreach to the larger public and a general lack of targeted constituency building. Over the past year, there have been some improvements in the internal management structure of NGOs in Ukraine, but many NGOs continue to operate without a division of responsibilities between the board of directors and staff members. Highly centralized and personalized leadership structures remain the norm.

All NGOs in Ukraine have a clearly defined mission, because it is required as part of the registration procedure. Yet strategic planning is almost never practiced. Of the NGOs that have strategic plans, most have created plans because of donor pressure – rarely are these strategies consulted as a planning tool. Due to the difficult economic situation in Ukraine, planning is usually more reactive than strategic – NGOs plan as they learn about available resources. Leading NGOs do have small professional staffs and volunteer management capabilities have improved within these groups over the past year. The thirst for computers and Internet access is high, and is always the first item on the list of requests to donors. Donors are happy to comply, and most NGO grant-recipients now have basic office equipment. Without donor support, however, most or

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ganizations would not have the re-

sources to purchase equipment.

FINANCIAL VIABILITY: 5.0

The overall economic situation in Ukraine leaves the vast majority of the population with little money to contribute to charity work, professional associations, advocacy groups, or community projects. Dependence on international donor funding remains heavy, though donors that require a cost-share component from NGO grantees find that requirements are often exceeded. Admittedly, this amount often includes a large percentage of in-kind contributions, such as office space provided by local authorities. Some leading NGOs have been successful in diversifying their funding base, though it is still comprised mainly of foreign donors. A few groups working on charitable causes have been able to raise large amounts from the public, but often they are unable to use any of these funds to cover their admin-

istrative expenses. Social sector organizations are more likely to be successful in raising funds in a way that will not negatively impact their activities. The same cannot be said for political/civic action groups for whom acceptance of local funds in many instances means a loss of political independence or jeopardizes the public perception of political independence. Some social service NGOs earn a limited amount of income to support their charitable activities through social enterprises. All active NGOs are under pressure to show accountability and careful record keeping - not just by foreign donors, but also by the tax authorities. Independent financial audits and publication of annual reports that include financial statements are extremely rare.

ADVOCACY: 4.0

NGOs increasingly understand the importance of advocacy, but are still hesitant to undertake public policy campaigns for fear of political repercussions. Think tanks have been very successful in communicating with government on the national level and at effecting policy change. Some professional associations, such as those of taxpayers, libraries, and businesses, have also been successful in their advocacy efforts. Overall, NGOs are often more successful at conducting awareness campaigns to raise the visibility of their issues than at national-level advocacy.

On the local level, almost all NGOs are at least somewhat effective at communicating with government and initiating policy change. Local government even occasionally turns to well-known and effective local NGOs for policy advice.

There is a general lack of awareness among Ukrainian NGOs regarding the need to build coalitions to promote NGO issues, and advocate for changes to the legal and regulatory framework. Currently, no widespread NGO advocacy effort exists to promote legal reforms to benefit NGOs or local philanthropy.

SERVICE PROVISION: 3.0

The majority of active NGOs in Ukraine provide some form of service across a variety of sectors: education, environmental protection, legal consulting, training, empowerment, job training, health services. The range of services provided is still partially dependent upon what donors are willing to fund, but this is changing as an increasing number of NGOs provide services based on constituent need.

Cases of cooperation between NGOs, or between NGOs and government are common but, with the exception of think tanks, NGOs rarely reach out to academia, and even more rarely to churches. Cost recovery remains problematic – a demand exists for the services NGOs provide, but a restrictive legal environ-

ment does not provide an easy, transparent and simple system for NGOs to charge for services. Some social service NGOs operate social enterprises, which allow for some of the business' profit to go to support the NGO and the services the NGO provides, but this is a complex and little understood practice – by both NGOs and government officials. Some NGOs have successfully won contracts from local government to provide social services to the wider population. This process, however, is not regulated by any national legislation, and the few cities in Ukraine that have initiated such programs (Odessa, Kyiv, Rivne, Lviv, Donetsk) have not standardized procedures for providing grants or contracts to NGOs.

INFRASTRUCTURE: 4.0

NGOs in Ukraine have access to high quality support services thanks to the maturation of some excellent Ukrainian resource centers supported by various international donors. Training expertise is well developed for basic level training, but advanced training is lacking in NGO development topics and sector-specific topics. Local grant-making capacity is very limited; community foundations do not exist. Two examples of local organizations that award funds based on local needs and priorities are “Yednannya,” which re-grants international donor funds, while “AVEK” (Kharkiv) grants corporate funds raised locally, mainly for cultural and charitable projects. One other local organization, Counterpart Creative Center, re-grants funds from

the US Embassy, but priorities for the grant competitions are determined by the Embassy.

NGOs increasingly understand the need to exchange information and cooperate more with one another, but much work remains to be done in this area. In large part, this unwillingness to cooperate stems from competition for limited donor funds. Some informal partnerships do exist between government and NGOs or business and NGOs, but many of these are of limited quality. Moreover, such partnerships almost always arise out of the interest and initiative of the NGOs – business and government rarely approach NGOs with proposals of partnership to achieve common objectives.

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PUBLIC IMAGE: 5.0

Media in Ukraine continues to be heavily politically restrained. The lead-up to the March 2002 elections will likely negatively influence the amount and type of coverage that NGOs receive. Some leading NGOs, mostly those based in Kyiv, are often featured in national media, but NGOs generally have much more success cooperating with the media at a local level. At this level, NGOs do a good job at self-promotion and often are able to cultivate relationships with local journalists.

Public awareness about the role of NGOs is very low – the average Ukrainian does not understand the need for such organizations. Government and business generally have a negative perception of NGOs, though often the ac-

tivities of social service NGOs help to offset an entirely negative impression. In a few cases, business seeks out NGOs as a local resource. For example, local businessmen regularly look to Winrock-supported NGOs that conduct business training for women when they are interested in hiring employees.

Self-regulation of the NGO sector is lacking – no code of ethics that encourages NGOs to demonstrate transparency exists and NGOs are not eager to adopt one. There is still some fear associated with transparency of operations and finances. Very few NGOs publish annual reports, and many fewer include budget amounts into those reports.